

PART 1 BUDGET

1. INTRODUCTION

PURPOSE

The purpose is to submit to Council the Multi-Year Budget for the 2015-2016 financial year as required in terms of Section 28 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and in terms of the new Municipal Budget and Reporting Regulations.

AUTHORITY

Mayor

LEGAL / STATUTORY REQUIREMENTS

Municipal Finance Management Act No 56, 2003, Section 28.

2. Mayor's report

MAYORAL MESSAGE ON THE PRESENTATION OF THE MPOFANA MUNICIPALITY ANNUAL BUDGET 2015/16 TO COUNCIL, FRIDAY 29 MAY 2015

Honourable Councillors, it gives me great pleasure to be seating on the helm and representing this municipality as the speaker of this great and challenging municipality for the purpose of presenting to you the 2014/2015 Medium Term Budget report for your consideration.

The task ahead of us is mammoth and as a municipality we have an obligation to perform our duties to the best of our ability, taking into account that the focus is on our municipality following a myriad of challenges that led to the dissolution of the previous Council prompting by-elections which led to our appointment as new Councillors.

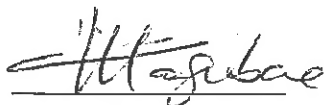
Notwithstanding the fact that this is our first Council meeting to deal with budgetary issues of the municipality, we are grateful that the intervention is assisting through the support of COGTA and Provincial Treasury with whom we work very closely through the Interim Finance Committee which I am part of.

Despite all the cash-flow challenges facing our municipality, as a result of the accumulation of many irregularities that have impacted negatively on our municipality, there is hope that the situation cannot be worse than it is and indeed we will leave no stone unturned to turn around the situation.

For the 2014/15, I am convinced that the foundation has been laid and what remains is for us to play our leadership role, be hands on financial matters of the municipality and exercise our oversight role effectively.

The 2014/15 Medium Term Budget proposes a total consolidated budget of R118 874 000 which is a far cry from what is expected of the municipality in relation to the backlogs and service delivery needs of community, but nevertheless the municipality has no choice but the cut of the size of our coat based on the size of our cloth. In summary, the attached report depicts a realistic status which is presented to the Council for approval it being noted that from the deliberations that transpired at the Finance Portfolio Committee it is appropriate that due fluctuations over and under spending in some votes and well as over and under collections, there is indeed a need to carry out a budget adjustment in order for municipality to give a realistic projection for the last half of the current financial year.

I sincerely hope that as a municipality we will work within our means and also that we will make every effort to collect whatever is due to the municipality.



Ms T.M. Magubane

The Mayor

KZN223 Mpopoana - Table A4 Budgeted Financial Performance (revenue and expenditure)

2012/13 to 2014/15 Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	7,020	8,016	8,680	12,679	10,500	10,500	10,500	11,925	12,537	13,177
Property rates - penalties & collection charges		2,535	2,223	2,356	2,639	2,639	2,639	2,639	2,765	2,829	3,063
Service charges - electricity revenue	2	43,871	37,650	38,925	51,343	55,849	55,849	55,849	57,150	58,522	61,570
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2,328	2,465	2,677	2,707	2,707	2,707	2,707	3,222	3,385	3,555
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rent of facilities and equipment		2,434	277	270	4,410	206	209	209	219	232	245
Interest earned - external investments		2,025	7,151	2,352	2,741	500	500	500	524	549	576
Interest earned - outstanding debts		-	-	-	-	2,241	2,241	2,241	2,349	2,461	2,579
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		384	365	615	360	320	320	320	335	358	376
Licences and permits		3,572	2,702	3,027	2,358	3,054	3,054	3,054	3,211	3,401	3,591
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operating		21,733	25,047	25,537	13,701	13,553	13,553	13,553	13,457	13,050	13,043
Other revenue	2	875	454	1,345	139	708	708	708	584	722	752
Gains on disposal of PPE		-	-	-	1,583	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		87,322	87,444	91,908	110,371	107,991	107,991	107,991	120,817	121,206	125,467

4.3 Revenue by Source

The revenue budget has been increased by R 12, 827,000.00 from R107, 990, 000.00 to R120, 817,000.00 and the increase can be attributed to the following:

Property Rates

There is an increase in property rates of R1, 429,000 that is as result of a proposed municipal tariffs for the 2015/16 financial year. (Annexure 4.3.1)

Service charges

Service charge has an increase of R2, 116,000.00 also as a result of the proposed electricity tariff for the 2015/16 financial year. (Annexure 4.3.2) Electricity and (Annexure 4.3.3) refuse

Other Revenue

The budget figures for all other revenue source are calculated using the municipal budget circular for the 2015/16 MTREF.

Transfers recognised - operating

Transfers grants budget is as per gazetted DORA allocations.

4.4 Expenditure by Type

Expenditure By Type											
Employee related costs	2	18,351	22,538	25,170	28,845	27,424	27,424	27,424	29,168	30,525	31,944
Remuneration of councillors		1,844	1,818	1,903	2,007	1,457	1,457	1,457	2,261	2,356	2,471
Debt impairment	3	16,352	6,871	2,313	8,000	6,000	6,000	6,000	6,289	6,559	7,032
Depreciation & asset impairment	2	4,696	5,761	4,449	12,600	5,500	5,500	5,500	5,764	6,104	6,448
Finance charges		1,424	1,571	579	267	267	267	267	635	673	710
Bus purchases	2	31,230	37,652	42,361	49,575	49,575	49,575	49,575	55,735	62,535	70,164
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		3,522	6,533	1,454	6,354	6,354	6,354	6,354	6,659	7,052	7,447
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	12,211	7,851	15,339	11,126	11,126	11,126	11,126	11,481	11,522	12,484
Loss on disposal of PPE		-	-	-	200	200	200	200	-	-	-
Total Expenditure		91,162	92,803	93,569	118,874	108,003	108,003	108,003	117,992	127,736	138,698

Expenditure by Type

Employee cost and Remuneration of councillors

There is R2,548,000.00 increase in the employee cost. That is made up by the increase as per the municipal budget circular and the fact that municipality has a fully functional council as opposed to the 2014/15 financial year where council was dissolved.

Bulk Purchase electricity

The municipality made an increase of 12, 20 percent on the Bulk purchase of electricity as per Nersa approved increment.

4.5 Capital Expenditure

Capital Expenditure - Standard										
Governance and administration		-	-	-	200	550	550	550	-	-
Executive and council										
Budget and treasury office										
Corporate services					200	550	550	550	-	-
Community and public safety	337	1,312	115	200	5,000	5,000	5,000	4,300	-	-
Community and social services				200	5,000	5,000	5,000	4,300	-	-
Sport and recreation										
Public safety										
Housing	337	1,312	115							
Health										
Economic and environmental services	9,490	11,905	9,710	12,041	11,991	11,991	11,991	12,295	12,610	13,082
Planning and development										
Road transport	9,490	11,905	9,710	12,041	11,991	11,991	11,991	12,295	12,610	13,082
Environmental protection										
Trading services	-	-	-	3,050	5,050	5,050	5,050	-	-	-
Electricity				5,000	5,000	5,000	5,000	-	-	-
Water										
Waste water management										
Waste management				50	50	50	50			
Other										
Total Capital Expenditure - Standard	3	9,827	13,217	9,825	17,491	22,591	22,591	22,591	16,595	13,082
Funded by:										
National Government		9,827	13,217	9,825	16,991	16,991	16,991	16,991	12,295	13,082
Provincial Government										
Local Municipality					5,000	5,000	5,000	5,000		
Other transfers and grants										
Transfers recognised - capital	4	9,827	13,217	9,825	16,991	21,991	21,991	21,991	12,295	13,082
Public contributions & donations	5									
Borrowing	6									
Internally generated funds					500	500	500	500	4,300	
Total Capital Funding	7	9,827	13,217	9,825	17,491	22,591	22,591	22,591	16,595	13,082

The municipality has a budget of R 16,595 million on capital budget. R12, 295 million of that is the National allocation from Municipal Infrastructure grant and R 4,300 million is a rollover for the Small town grant. The municipality has no capital budget from its own funds as the municipality cannot fund those projects.

Mpofana - Budget -Capital Expenditure by Cluster

KZN222 Mpofana - Supporting Table SA34 Detailed capital budget

Capital expenditure - Appropriation										Total annual balanced capital budget									
Localised View-Capital project	Ref	Program/Project description	Project number	BP Goal case 2	Individually Approved (Profile)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework				Project information			
										Audited Outcome 2014/15	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year 2015/16	Budget Year 2015/16	Budget Year 2015/16	Value location	Asset or material		
A thousand	4				1	2	3	4											
Parent municipality:																			
List of capital projects grouped by Municipal Area																			
Sector A: Main water supply system:																			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,500				3			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				4			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				5			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				6			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				7			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				8			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				9			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				10			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				11			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				12			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				13			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				14			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				15			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				16			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				17			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				18			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				19			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				20			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				21			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				22			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				23			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				24			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				25			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				26			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				27			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				28			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				29			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				30			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				31			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				32			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				33			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				34			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				35			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				36			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				37			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				38			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				39			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				40			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				41			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				42			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				43			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				44			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				45			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				46			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				47			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				48			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				49			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				50			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				51			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				52			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				53			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				54			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				55			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				56			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				57			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				58			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				59			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				60			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				61			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				62			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				63			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				64			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				65			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				66			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				67			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				68			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				69			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				70			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				71			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				72			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				73			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				74			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				75			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				76			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				77			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				78			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				79			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				80			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				81			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				82			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				83			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				84			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				85			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				86			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				87			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				88			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				89			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				90			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				91			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				92			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				93			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				94			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				95			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				96			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				97			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				98			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				99			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				100			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				101			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				102			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				103			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				104			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				105			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				106			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				107			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				108			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				109			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				110			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				111			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				112			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				113			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				114			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				115			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				116			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater					2,300				117			
Construction of Water					Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					2,300				118			
Construction of Water					Yes	Infrastructure - Road transport	Electricity					2,300				119			
Construction of Water					Yes	Infrastructure - Road transport	Stormwater												

4.5.1 Funding Sources

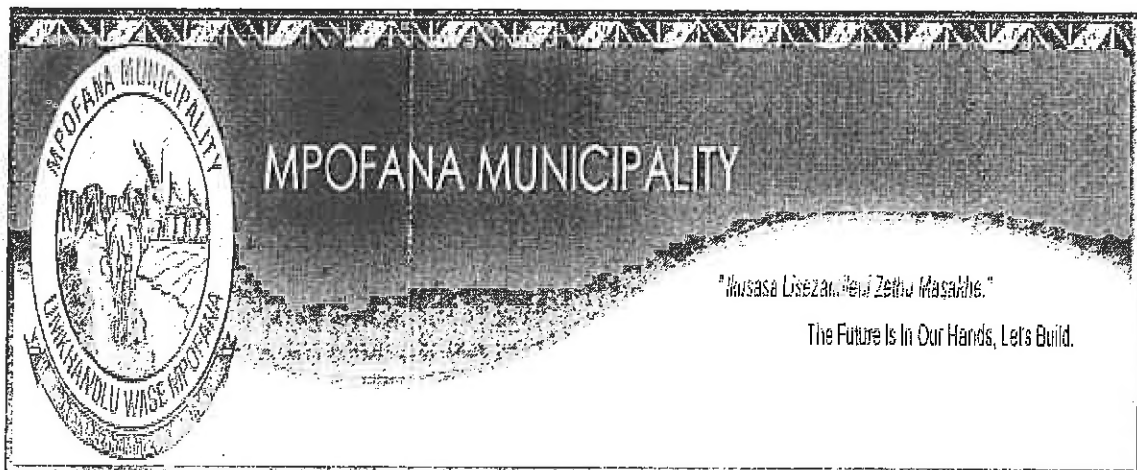
Mpofana - Capital Expenditure Budget by funding –

<u>Funded by:</u>											
National Government		8,827	13,217	8,825	15,591	15,591	15,591	15,591	12,285	12,610	13,002
Provincial Government						5,000	5,000	5,000			
District Municipality											
Over transfers and grants											
Transfers recognised - capital	4	8,827	13,217	8,825	15,591	21,591	21,591	21,591	12,285	12,610	13,002
Public contributions & donations	5										
Borrowing	6										
Internally generated funds					500	500	500	500	4,300		
Total Capital Funding	7	8,827	13,217	8,825	17,481	22,591	22,591	22,591	16,585	12,610	13,002

As per table above the most of the capital budget is funded by National government grants.

6. QUALITY CERTIFICATE

I, Maxwell Moyo, the Municipal Manager of the Mpofana Municipality, hereby certify that the Proposed Draft Budget 2015-2016 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and Regulations made under the Act and it consistent with the Integrated Development Plan of the municipality.



RESPONSES ON THE 2015/2016 MIDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET OF MPOFANA MUNICIPALITY

Draft budget Assessment Report

- The municipality has populated the information that is require in table **A10, SA7, SA14, SA16, SA35 and SA37.**
- On **SA21** the municipality does not made any transfer to other municipality and **SA32** the municipality does not have external mechanisms.

Operating Revenue Framework

Property Rates

- The municipality made a correction on property rate and that leads the municipality an increased of R 1,429 million from R10, 500 to R11, 929 which a 5 percent increase as per nersa guide.
- The municipality also made an amendment that is required in terms of section 93A of the municipal property rates act.

Service Charges Electricity

- The municipality is running the service charge electricity at a loss. The municipality is facing a big challenge in terms of collection in Bruntville. Meter tempering is the main course of electricity loss in Bruntville. The municipality does not gain anything by selling electricity.
- The municipality does not provide free basic electricity that is why there is no income forgone provided under electricity.

5.1.1.1

The municipality has been corrected the error by populating the capital expenditure under new Asset instead of Renewal of assets.

Cash flow Management

• Cash flow Management has been corrected on Table A7

Yours Faithful



Mr S Mncwabe

Chief Financial Officer



Mr. M Moyo

The Municipal Manager



Cllr M. Magubane
Mayor